

## Project Completion Note for co-financed Policy-Based Financings under the COVID-19 Crisis Recovery Facility

### Fiji: Sustained Private Sector-Led Growth Reform Program

#### 1. Project Information

Project ID:	P000427	Instrument ID:	L0427A
Member:	Republic of Fiji	Region:	Oceania
Sector:	CRF-Economic Resilience/PBF	Sub-sector:	N/A
Instrument type:	Loan	E&S category:	C
Co-financier(s):	Asian Development Bank		
Borrower:	Ministry of Economy, Fiji		
Guarantor:	n/a		
Implementing Agency:	Ministry of Economy, Fiji		
Other entities involved:	Asian Development Bank		
Project Team Leader(s):	Bo Zhang,PTL		
Project Team Members:	Jinghui Li,Team Member Christopher Damandl,Project Counsel Bernardita Saez,Alternate Counsel Yang Shuai,OSD - Environment & Social Development Specialist Edith Zheng,Team Member		
Site Visits by AIIB:	n/a		

#### 2. Project Summary and Objectives

On August 13, 2020, the AIIB Board of Directors approved the Sustained Private Sector-Led Growth Reform Program (the "Program") under the COVID-19 Crisis Recovery Facility (the "Facility"), a USD50 million sovereign-backed financing (the "Loan") to the Republic of Fiji. The Program was co-financed with the Asian Development Bank (ADB) as a policy-based loan (PBL) under ADB's Subprogram 3 of the Sustained Private Sector-Led Growth Program. ADB approved a USD200 million sovereign-backed loan for the Program on July 15, 2020. The Government of Australia and the Government of New Zealand approved grant funding of USD0.7 million (AUD1.0 million equivalent) and USD1.5 million (NZD2.5 million equivalent) respectively. The Ministry of Economy (the "MOE", which later merged to the Ministry of Finance) was the Program executing agency. The Ministry of Commerce, Trade, Tourism, and Transport, the Ministry of Women, Children and Poverty Alleviation, and the Reserve Bank of Fiji were the implementing agencies.

The Program aimed to support the Government of Fiji (the "GOF") 2020-2021 budget, that includes a response to COVID-19 to mitigate the extreme public health emergency and ensuing unprecedented economic crisis. The Program provided budget support to strengthen public finance for public health containment and treatment measures and a fiscal stimulus with a focus on social and economic protection. This was achieved by enhancing the quality of budget systems and institutions, improving the productivity and competitiveness of state-owned enterprises (SOEs), and facilitating the creation of new business and formal job opportunities, particularly for women. Additionally, it addressed the impact of the COVID-19 pandemic on businesses, workers, and vulnerable populations through targeted transfers.

### 3. Key Dates

Approval:	August 13,2020	Signing:	August 14,2020
Effective:	August 17,2020	Restructured (if any):	
Orig. Closing:	December 31,2020	Rev. Closing (if any):	
Final Maturity Date	December 15,2032		

### 4. Disbursement Summary (US Dollar million)

a) Committed:	50.00	b) Cancelled (if any):	
c) Disbursed:	50.00	d) Last disbursement: (amount /date)	50.00 / August 26,2020
e) Undisbursed (if any):	0.00	f) Disbursement Ratio (%) <sup>1</sup> :	100.00

### 5. Estimated and Actual Costs

The estimated program costs fully matched the actual costs. AIIB approved USD50 million under the Facility, which accounted for 1.36 percent of the GOF's 2020-2021 budgeted expenditure.

### 6. Project Implementation, including major changes to the original Objective, Project Design, and Indicators

The Program was approved under the Facility and co-financed with the ADB. The Loan was made effective on August 17, 2020, and disbursed in a single tranche on August 26, 2020. All policy reforms (prior actions) have been fully met. AIIB responded to GOF's request in an efficient manner. It joined ADB in the co-financing of the Program to support the country's immediate financing needs to respond to the impact of the COVID-19 pandemic. The swift approval of financing and immediate disbursement was instrumental for the GOF to effectively manage and mitigate the negative impacts of COVID-19 pandemic.

The Program was rated highly successful by ADB. The Program is relevant as it was strategically aligned with the county development plans, particularly the National Development Plan, 2017–2036. Also, the program design and monitoring framework were appropriate. The Program is effective, as all outcome indicators under the Program were met or substantially met and targets exceeded for the introduction of gender-responsive budgeting, and all 23 prior actions are met and continue to be in pace with no reversals. The Program is likely sustainable, as the policy reforms are aligned with the national strategies and plans.

The Program supported a total of 23 policy actions across three Reform Areas (RAs):

*(i) RA 1 (Fiscal management)* focused on improving fiscal management to foster policy certainty and business confidence while delivering cost-effective public services. It addressed the economic and social risks of COVID-19 through a fiscally sustainable government response. Key actions included the continued implementation of the Public Financial Management (PFM) Improvement Program,

<sup>1</sup> Disbursement Ratio is defined as the volume (i.e. the dollar amount) of total disbursed amount as a percentage of the net committed volume, i.e.,  $f = c / (a - b)$

completion and publication of a multi-sector public expenditure review and strengthening the budget process. Additionally, Public Expenditure and Financial Accountability (PEFA) assessment was completed to guide the development of a new PFM roadmap, and GOF piloted a gender-responsive PFM self-assessments, followed by GOF's decision to introduce gender-responsive budgeting (GRB) to FY2021 budget. The supplementary COVID-19 response budget was passed by the Parliament to allocate additional resources for containment and treatment while maintaining fiscal discipline.

*(ii) RA 2 (Policy, legal, and institutional framework for SOEs and public-private partnerships, PPP)* aimed to enhance the policy, legal and institutional framework for SOEs and PPPs in Fiji. The reform supported the implementation of state-owned enterprise reform through the Public Enterprises Act 2019, including implementation of SOE privatization and execution of SOE divestments. Two SOEs, namely Food Processors (Fiji) Limited and Fiji Rice Limited, restructured their balance sheets by selling non-core assets. Training programs were conducted to ensure compliance with the Public Enterprises Act, covering a significant portion of directors and senior management, including a high percentage of women in these roles.

*(iii) RA 3 (Business and investment climate)* focused on improving Fiji's business and investment climate, which had been hindered by policy uncertainty and gaps in the commercial legal framework. To stimulate new private investment for economic recovery, reforms were undertaken in consultation with the private sector. Those reforms included the introduction of a new investment bill to strengthen investor rights and to streamline the investment approval process, as well as measures to improve trade competitiveness. Additionally, the Program improved access to finance by establishing the Personal Property Securities Registry, which benefited businesses, particularly those owned by women. To improve ease of doing business, the Regulation of Building Permits Act 2017 was implemented, simplifying construction permit applications and speeding approvals through streamlined forms and an online portal. Legal frameworks for trademarks, designs, patents, and competition and consumer protection were also strengthened.

In response to COVID-19, GOF introduced measures to support the private sector and workers, such as reducing statutory contributions, providing paid sick leave, and offering tax deductions and relief payments. A government-led COVID-19 Response Gender Working Group was established to address the gendered impacts of the pandemic and ensure inclusive recovery efforts.

## 7. Results Achieved (Against the original indicators and/or revised indicators. RMF table will be exported on the last page of this PCN.)

As shown in the table below, the Program had achieved almost all its performance indicators, except for the "outcome b" target, which was likely to be substantially achieved but could not be measured by the set indicator "World Bank's Doing Business Report", since it was discontinued by the World Bank in September 2021<sup>2</sup>.

Results Chain	Performance Indicators	Program Achievements
Outcome	a. By 2021, improvements in the PEFA ratings for Fiji to at least "C" for PI-	<b>Achieved.</b> Fiji achieved the following scores in the 2020 PEFA assessment (coverage up to

<sup>2</sup> [WBG announces discontinuation of Doing Business report](#)

Inclusive private sector-led economic growth sustained	10.1, PI-10.3, PI-16.1, PI-23 and PI-27 (2013 baseline: D+)	2019): C for PI-10.1, A for PI-10.3, B for PI-16.1, B+ for PI-23 and A for PI-27.
	b. By 2021, ease of doing business score in the World Bank Doing Business report increased to at least 64 (2019 baseline: 61.5)	<b>Substantially achieved.</b> The World Bank Group unexpectedly discontinued the report and worked on a new approach to assess global business climate. Replicating those scores was not feasible, and alternative indicators did not adequately cover Fiji. Significant improvements were made in several areas: the Personal Property Securities Act 2017 and its registry enhanced credit access, the International Arbitration Act 2017 and Investment Act 2021 strengthened contract enforcement, and World Trade Organization (WTO) commitments under the Trade Facilitation Agreement improved cross-border trade. The Regulation of Building Permits Act 2017, with its online application portal, simplified construction permits. Additionally, the Trademarks Act 2021, Patents Act 2021, and Designs Act 2021 promoted growth and innovation, protecting investors. Those reforms, along with the repeal of business licensing and stamp duty legislation, payment system improvements, and customs duty simplifications, substantially achieved the intended indicator.
	c. By 2021, financial institutions' lending to the private sector for commercial purposes maintained or increased (2016 baseline: 48.3% of GDP)	<b>Achieved.</b> Financial institutions' lending to the private sector for commercial purposes increased by 24.4% from F\$4.8 billion to \$5.8 billion, reaching 59.4% of GDP in 2020 and 62.5% of GDP in 2021.
	d. By 2021, government COVID-19 response and recovery programs include targeted gender measures for women's economic empowerment (2020 baseline: not applicable)	<b>Achieved.</b> The government's COVID-19 response provided targeted unemployment benefits to the tourism sector, which employed a high share of female workers, and provided support to the informal sector, where most workers and many micro-business owners were women. The government protected funding for social assistance programs disproportionately benefited women.
	e. By 2021, at least four government programs use gender-response	<b>Achieved.</b> Gender-responsive budgeting was used for 10 programs under 7 different

	budgeting in the annual budget process (2018 baseline: 0)	ministries in the FY2022 budget process. The gradual rollout built on lessons from the pilot carried out under the Program and was supported as part of the successor Sustainable and Resilient Recovery Program to institutionalize the new methodology.
<b>Outputs</b>		<b>Achieved.</b>
1. Fiscal management improved	1a. By April 2020, PEFA Assessment completed, and final report published (2019 baseline: not started)	Final PEFA Assessment was published on both MOE website and the PEFA website.
	1b. PEFA self-assessment of gender-responsive PFM completed and received a “PEFA check” (2019 baseline: not started)	<b>Achieved.</b> The PEFA self-assessment of gender-responsive PFM completed and received the “PEFA check”.
	1c. MOE submitted a Cabinet information paper that outlines the steps taken to introduce gender-responsive budgeting principles in the annual budget process (2019 baseline: not applicable)	<b>Achieved.</b> The Cabinet approved the information paper on gender-responsive budgeting on April 17, 2020, adding it to the FY2021 budget to facilitate implementation.
	1d. Budget submission templates designed to enable gender responsive budgeting (2019 baseline: not started)	<b>Achieved.</b> The MOE issued budget submission templates for gender-responsive budgeting, which are now in use.
	1e. COVID-19 response budget for FY2020 that allocates additional resources for COVID-19 containment and treatment, and reduces budgeted expenditure to contain the fiscal deficit in a fiscally sustainable manner approved by Parliament (2019 baseline: not started)	<b>Achieved.</b> The COVID-19 response budget was approved and included additional budget allocations for COVID-19 containment and treatment, as well as fiscal consolidation. Several measures to address COVID-19 had been implemented under the budget.
2. Policy, legal, and institutional framework for SOEs and PPPs improved.	2a. Training programs conducted for SOE directors and senior management, including at least 90% of women in these roles, on compliance requirements of Public Enterprises Act 2019 (2019 baseline: not started)	<b>Achieved.</b> Approximately 79% of directors and 82% of senior management of SOEs, including 94% of women directors and senior managers, were trained.
	2b. PPP implementation guidelines approved (2019 baseline: not approved)	<b>Achieved.</b> The PPP implementation guidelines were approved by the Cabinet and published on the MOE website.
	2c. Policy framework for on-lending to government entities approved (2019 baseline: not approved)	<b>Achieved.</b> The on-lending policy was approved by the Cabinet and remains in effect.
3. Business and investment climate improved.	3a. Investment Bill approved by Cabinet, and the Secretary-General of Parliament notified that the bill will be introduced in a regular 2020 sitting of	<b>Achieved.</b> Cabinet approved the Investment Bill, which became effective as the Investment Act 2021.

	Parliament (2019 baseline: not approved).	
	3b. Personal Property Securities Registry that captures sex-disaggregated data established (2019 baseline: not established)	<b>Achieved.</b> The registry was established and captured sex-disaggregated data. It was reflected in the annual Personal Property Securities Registry Summary of Key Statistics issued by the Reserve Bank of Fiji.
	3c. Competition and consumer protection policy statement – which includes recognition of the specific needs of women, rural and disadvantaged groups, and a commitment to supporting women’s consumer rights—approved (2019 baseline: not approved).	<b>Achieved.</b> The policy statement was approved with explicit reference to women, rural and disadvantaged consumers.
	3d. Measures introduced to assist the private sector and workers by mitigating the financial impact of COVID-19, including (i) a reduction in employers’ statutory Fiji National Provident Fund contributions, (ii) government-paid sick leave for workers who test positive to COVID-19, (iii) tax deductions afforded to employers for wages and salary paid to employees who are self-quarantined, (iv) additional contributions to financial sector schemes that boost SME lending, and (v) relief payments to informal sector workers, including for micro-enterprises owned by women in lockdown areas (2020 baseline: not applicable).	<b>Achieved.</b> The measures were implemented as part of the approved FY2020 COVID-19 response budget.
	3e. A guidance notes on the gendered impacts of COVID-19 in Fiji, including recommendations on women’s economic empowerment, prepared and presented to Cabinet (2020 baseline: not applicable).	<b>Achieved.</b> The guidance note on the gendered impacts of COVID-19 in Fiji was prepared and presented to the Cabinet.

#### 8. Alignment to the objectives and principles of the COVID-19 Crisis Recovery Facility

The Program was consistent with the Facility’s principles, responding to the unprecedented need for support to the members in dealing with the COVID-19 crisis, particularly the immediate fiscal and budgetary support to meet the financing gap arising from increased budget expenditure and reduced fiscal revenue.

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As the Program was co-financed with ADB, Government of Australia and Government of New Zealand, it reflected AIIB's commitment to the call for a coordinated international response to counter the COVID-19 crisis. It aligned with AIIB's mission to foster sustainable economic development and promote regional cooperation by working closely with other multilateral and bilateral development institutions to address development challenges.

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#### 9. Implementation of project-specific Environmental and Social instruments

As part of the Facility, the AIIB agreed to apply and assess the Program's Environmental and Social (E&S) risks and impacts following ADB's Safeguards Policy Statement (SPS) provisions applicable to PBL. Under the SPS, the Program was classified as a Category C for the environment, involuntary resettlement, and indigenous peoples.

Overall, the Program had no adverse environmental and social impact, confirming Category C for environment, involuntary resettlement, and indigenous people.

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#### 10. Lessons Learned

Below are some of the key lessons both for AIIB's internal processes and the Program:

##### *AIIB Internal:*

1. **Prompt and coordinated crisis response.** In response to the GOF's urgent need for financial assistance after the outbreak of the COVID-19 pandemic, AIIB exerted utmost flexibility to expedite the approval processing and took unified policy actions by streamlining the assessment approach. The Program was approved within two months, from Screening on June 10, 2020, to Board approval on August 13, 2020. The disbursement was made within a week after approval, on August 26, 2020. AIIB's swift action provided timely supports to GOF's economic response to mitigate the adverse impacts of the COVID-19 pandemic.
2. **Client outreach and relationship building.** The Program was AIIB's first financing in Fiji. AIIB's agile response to client needs in crisis helped nurture a stronger relationship between the GOF and AIIB.
3. **Strong coordination with the lead financier.** Close collaboration with ADB during policy dialogues and decision-making process provided valuable insights for AIIB to understand Fiji's contextual ecosystem. Furthermore, timely coordination with the International Monetary Fund (IMF) secured necessary assessment letters, which was crucial for processing the Program.
4. **Internal capacity building and limitations.** The experience on doing the Program under the Facility provided a valuable learning process for Bank team to better understand the nature and procedure of PBL operations which were relatively new to AIIB. Meanwhile, unlike ADB that has a country presence in Fiji, AIIB's project team was not able to conduct physical review missions due to the pandemic lockdown during the implementation, which limited the depth of direct engagement with the GOF.

##### *The Program:*

1. **Multi-stakeholder technical working group.** The Program helped the GOF to establish a technical working group with representatives from various government agencies and development partners, which enhanced the Program implementation and addressed broader issues. This approach addressed matters related to both intra-governmental and development
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assistance. However, the potential benefits must be balanced against the resources required for regular meetings, especially in smaller administrations like Fiji. The Program refrained from creating a steering committee due to MOE's capabilities and the high workload of government staff.

2. **Programmatic approach.** As mentioned, the Program was co-financed with the ADB as part of its Sustained Private Sector-Led Growth Reform (Subprogram 3), the final subprogram within ADB's Programmatic Approach. The success of the Program in achieving its targets was partly attributed by well-coordinated and sequenced reforms under a series of the subprograms during the extended time periods. This approach also recognizes imperfections in information and its availability and allows for flexibility in designing policy packages under the subsequent subprograms (e.g., responding to urgent needs such as the COVID-19 impacts in the case of this Program). By breaking down reforms into smaller, sequenced steps, the Program effectively mitigated risks due to limited implementation capacity and enhanced the likelihood of achieving high-impact reforms. This programmatic approach could also serve as a valuable lesson for AIIB to consider applying to its Climate-Focused Policy-based Financing (PBF) programs.
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#### **11. Borrower's Feedback**

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The Borrower's feedback is attached as an annex.

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#### **12. Any Pending issues and Follow-up actions, if applicable**

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There are no pending issues or follow-up actions.

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#### **13. Achievement of Project Result**

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Overall, the Program was effective in achieving its intended results and outputs. It supported the government in mitigating the socio-economic adverse impacts of COVID-19 pandemic on the businesses, workers, and vulnerable populations. Specifically, the Program contributed to the improvement of the budget systems and institutions, productivity, and competitiveness of SOEs, and creation of new businesses and formal job growth, including for women.

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Annex: Client Feedback Questionnaire

Sustained Private Sector-Led Growth Reform Program (P000427)

1. Are the services and support provided by AIIB's Project Team professional, sufficient and in time, during project preparation and project implementation? Please provide some specifics or examples as an illustration.  
**Yes, services and supports we received from the Project team were timely and professional. For instance, clarification to certain AIIB documents, the online portal that we can access additional information from – all these were provided to use on timely manner.**
2. Is it convenient to access to the Project Team's services and support? Please provide some specifics or examples as an illustration.  
**Yes, we were able to reach out to them via email. We do understand the time difference, the responses were received.**
3. Does the Project Team demonstrate flexibility and efficiency during project preparation and project implementation? Please provide some specifics or examples as an illustration.  
**Yes, project team demonstrated this during project preparation and implementations. For instance, given the internal process from Government which caused some delays, the project team assisted in allowing us more time to submit the document.**
4. What is the value addition of AIIB's financing in the Project?  
**AIIB co-financing is a boost and supported Government financing needs during those times.**
5. Will you consider working with the AIIB again in infrastructure development? Please provide a few specific reasons.  
**Yes, we will consider working with AIIB for future infrastructure projects.**
6. Do you have any suggestion to the Project Team and/or the AIIB for them to improve their operations in the future?  
**No further suggestions. Grateful for the great support from the AIIB and Project team.**
7. Other comments, such as comments on the reporting requirements, approval of project changes, etc.  
**Support from AIIB for the two projects were tremendous. Reporting requirements are aligned with other development partners as well.**

